



Distribution

Some ideas



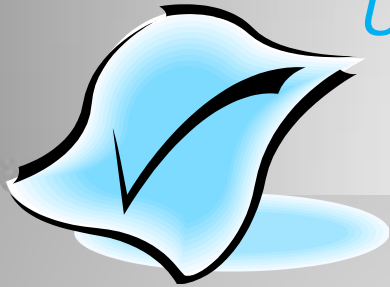
Some customers are easy -- take their order @ wholesale show, ship product, collect money, wait for reorder. However, that customer likely doesn't buy from you...now let's discuss the others...



Why are we discussing this?

Distribution

Sales Storage Packing Delivery Collection
Stocking of Shelves Returns Insurance
Signs, Displays & Advertising
UPC Codes Paying for All This



**First, determine the services
that you need others to
perform VS. those that you
can and will provide.**

- Initial sales and first order?
- Follow up sales and reorders?
- Responses to problems or opportunities?
- Customer Relations?
- Pricing, who determines retail, will product move at this price:
- What type of services do my customers demand or need and how do we get back the cost of providing these services?
- What will sales effort cost and can we afford it?



Do not sell to an area or to a customer until you have a distribution plan that will allow you make a reasonable profit on the transaction.

Sales...who does the...

Distribution

What communities are you going to sell in ...
where are your customers?

Tourism locations (that have most gift shops):

**Anchorage Fairbanks Ketchikan Sitka Juneau Skagway
Haines Hoonah Kenai Soldotna Homer Seward Denali**

Where is the best place to ship from, your site of
manufacture; or storage closer to your customers
and/or advantageous shipping point?

Can we afford the time and expense to personally
call on these locations – how often?

Sales Area

Distribution



Made In Alaska Workshops &
Webinars 2010

Where do we need storage...or do we?
How much is needed?
How often will product turn?
What days/hours is access available?
Security measures, theft, weather?



Storage
Distribution



Pallets, master cases, what needs to be done to get products to storage location in good shape?

How must it be broken down for delivery to retailer?

Flat rate boxes or other determining distribution requirements must be considered, i.e. weight, cube.



Packaging

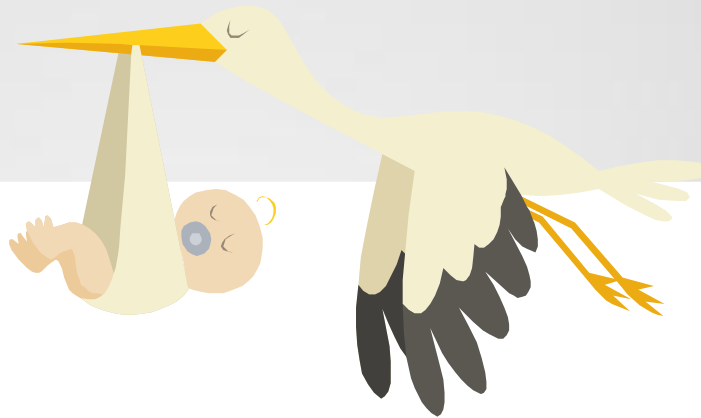
Distribution



How does it get to storage location?

How does it get to retailer?

What if shipment is lost or damaged, who pays, how and when?



Delivery
Distribution

How frequently does stocking and cleaning need to be done?

How is product's shelf location determined, what effect does this location have on sales?

Who will do this, me, my employee (spouse), local hire, distributor's employee, retailer's staff?



Stocking of Shelves

Distribution

What are payment terms and when does time start counting?

- Delivery to storage or distributor?
- Delivery to retailer (most likely)?
- Other?
- What can improve cash flow and do we make it happen?



Collecting the Money

Distribution



What creates a return situation?

- Breakage;
- Return from customer to retailer;
- Retailer return due to slow sales or guaranteed sales agreement or shop worn;
- About a billion other things people can dream up!

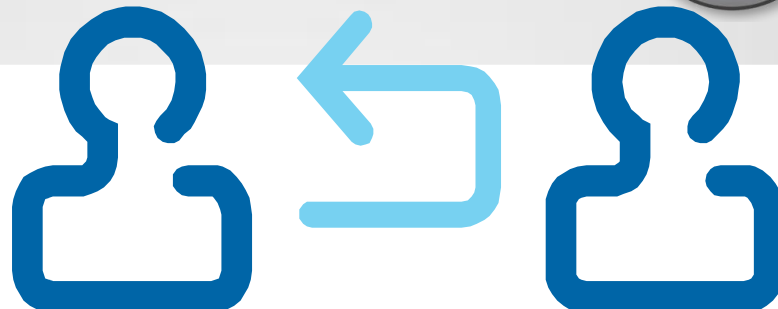
Who picks up, packs and ships returns?

Who pays for cost to return?



Returns

Distribution



Signs, displays, advertising ...

- Who designs, buys, distributes signs and displays?
- Who is responsible for advertising & promotion?



Promotion
Distribution




- How much is necessary?
- Who carries policy and provides additional named insured to retailer when required?
- Who carries auto liability ?
- Who covers products while in storage?
- What is, is not, covered?
- Where are we at risk?

Insurance

Distribution



- ❖ it's all got to be covered in your pricing no matter who generates the cost. 
- ❖ Make sure the distribution method and costs are known before quoting price to anybody ... retailer, distributor, salesperson...anybody.
- ❖ Don't plan on the "best" case scenario, examine all possible scenarios, price them and then make a common sense judgment as to how much the average will cost; or be specific by customer or city.

Paying for all of this

Distribution



- ✦ Different customers will have different requirements and will have different costs and you may need very different prices for them ... be flexible.
- ✦ Next to impossible to control retail prices when selling to multiple customers, concentrate on controlling costs ... delivered cost drives retail pricing.
- ✦ China will always be lurking in the bushes and you can't beat them in prices ... quality yes ... service – depends.

Paying for all of this, continued

Distribution



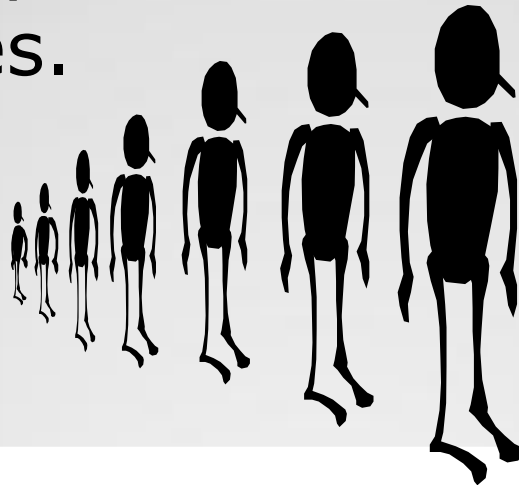
- Each company will need their own distribution plan and system (s).
- Distribution costs lots of money no matter who does it and must be included in costs and pricing.
- Moving the most products the quickest, at a profitable price level, is what you must concentrate on when devising and implementing **your** distribution system.

So what do we do

Distribution



- # Owner or family members;
- # Hire person, full-time, part-time, by item/case;
- # Most likely, a combination of people and companies.



Who will, or can, provide these things

Distribution

- + There are many options for delivery services;
- + Quicker usually costs more;
- + Weight and cube matter;
- + Discounts are available with frequent use and volume.

FedEx UPS USPS Local Companies

Delivery
Distribution



FedEx®

 UNITED STATES
POSTAL SERVICE®

 **LYNDEN**

Made In Alaska Workshops &
Webinars 2010

Distributor (only ones we could find – know more, let us know about them):

- J.C. Marketing, Jim Cottrell 522-6555
- Old Time Distributors, Larry Compton 561-5680
- Alaska Jack's, Starr Horton 248-9999
- Alaska Chip Co., Ralph Carney 349-2447

Alaska Distributors

Anchorage area



We have found one company that represents small Alaskan manufacturing companies and artist statewide:

- Karen Sobolesky & Company – 929-3161 karens@alaska.com
 - Showroom
 - 15-20% Commission is normal
 - Travels statewide
 - Won't represent competitive products

We have no experience with this company.

Sales Representatives

Anchorage Area

Innovate – you NEED your own distribution plan that works for you, use whatever will give you an advantage in price or service – we all need our own advantage – got lemons, make lemonade, still true.



Must Innovate

Distribution

- Establish a person in each major Alaska tourist location to represent several compatible Made In Alaska permit holders .
- Get someone else to start a co-op, or become Made In Alaska distributor, or Made In Alaska sales rep – these are probably great opportunities.
- Start a co-op for Made In Alaska distribution from your city.
- Something else beyond our wildest' dreams ... why limit it to Alaska.

Getting out of the box

Distribution



Why use a Distributor

Using a distributor can increase your sales by opening up markets you may not currently sell. Below are some of the advantages and services that we offer and most good distributors will offer to you.

Big Box stores like Wal-Mart, Target, Fred Meyer, AAFES (Military Stores), Safeway and Walgreens all require the following to do business with them:

1. **Insurance:** Most stores require 2 million in liability Insurance that covers the products and the service people in their stores. We had to buy 2, 1 million dollar policies, but as a distributor we cover you.
2. **Service:** We offer at least once a week in store service. We stock and clean the shelves, write re-orders, set displays and take care of any returns like defectives or in store damages. We cover the entire state from Ketchikan to Fairbanks. The big store buyers will not allow you to service only the Anchorage or Wasilla stores, they require you be able to service ALL the stores before they will buy your products.
3. **Shipping:** As your distributor, we will ship to all the stores. We have our own van for Anchorage to Wasilla areas. We have shipping to all other areas of the state covered. Using a distributor will lower costs because we can combine lots of small items with our regular orders to ship out of town. Once the order gets to an out of town store like Ketchikan, our service person makes sure it is received at the back door and stocked on the shelf.
4. **Invoicing:** We are already set up to bill the store. Most stores pay in 30-60 days. Some of the big stores like Fred Meyer require EDI (electronic data interchange) for invoicing and orders, we are set up for EDI with all stores that require it.
5. **UPC:** All the big stores require UPC numbers for you items. If your product is not already UPC coded, we are listed as a private label distributor. We can generate a UPC for you and print the label if needed.

JC Marketing page one
Distribution



6. **Sales:** Getting your product listed at the store is only the beginning. Once you are in the store you need to sell the department manager on the best location on the shelves that will generate more sales.

You also need to keep the buyers happy. Buyers like to see new items every season. We will help you with ideas for new packaging, new sizes, new flavors, colors, designs etc. that will keep the buyers interested in your products. Customers will shop the department more often if they see new items once in a while.

7. **Accounting:** The distributor buys from you in large quantities, and then sends out to the different stores. This helps you because you only have one invoice to worry about. We ask for 60 days to pay you, but we can do 30 days for the first few orders until we get the volume up. We can even pay quicker for bigger discounts, it is all negotiable.

How do you pay for the services of a distributor? We need to make 30-35% to cover our expenses. The very minimum would be 25% and that is only for very fast selling higher dollar items. If you sell your product wholesale for \$10.00, we would like to pay \$7.00. Most of the items we distribute from Alaskan vendors, we get the 30% discount from wholesale.

We understand that you may not have enough profit in your products to cover our discount and we all need to make money. If you can only offer 25% off, we may then increase the cost to the store so that your \$10 item is now \$12.00. This works very well. If a big store pays more for your items, they will not be able to sell for less than your small gift stores. Big stores understand that they may pay a little more from a distributor who offers all the services we do. As long as it sells and they are not embarrassed by being too high priced, then all is well. Some of the big stores do not mark up as much as gift stores so the \$12.00 item may still retail for \$19 or \$20.



JC Marketing

Distribution

page two

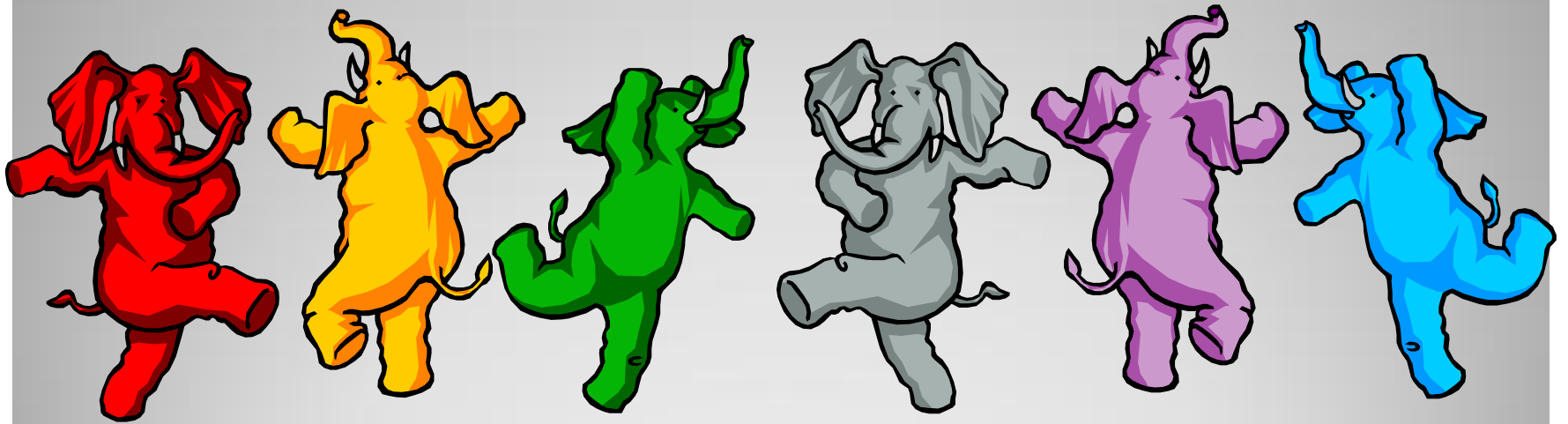
If you think that you may want to use the services of a distributor, keep that in mind when setting your price sheets. A distributor like JC Marketing can sell to just the major stores or include gift stores, it is up to you. Be careful when showing your items to large store chains that you don't show a low price. I suggest talking in generalities. Sell the quality and features of your item but let them know you are working with a distributor and have not set pricing yet. You could say it will depend on volume and be competitive. You could also say you would like to see it retail for \$20 or whatever. Let the distributor go in with pricing and terms.

If you do decide to use a distributor, JC Marketing is always looking for new items. We have a website: www.alaskagift.com for retail customers, but you can contact us there. If you don't use us, check with other Alaskan distributors to make sure you get in the big box stores.

Thank you,
Jim Cottrell
JC Marketing
Alaskagift.com
1020 E. 4th Ave.
Anchorage, AK 99501
907-522-6555 Ext 102
907-522-6566 Fax
manager@alaskagift.com



JC Marketing page three, end
Distribution



The End

Bill Webb